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UNCLAS SECTION 01 OF 03 ABIDJAN 000037

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SUBJECT: COTE D'IVOIRE'S PORTS PLAN AMBITIOUS EXPANSION AS POLITICAL
CRISIS FADES

REF: Ouagadougou 1079 (2007)

11. (SBU) SUMMARY. The Port of Abidjan is West Africa's largest deep-water port, and the second largest port on the continent. According to Maersk officials, it is also one of the more efficient ports in the world. Cote d'Ivoire's second port, San Pedro, exports 10 percent of the country's export volume, but over 17 percent of the export value, due to its importance in cocoa exports. While the Port of Abidjan is still recovering from the toxic waste scandal of 2006 and several years of political instability in Cote d'Ivoire, overall traffic has continued to steadily increase during the years of the political crisis and expansions are underway. Both ports have ambitious expansion plans that are dependent on large-scale outside financing and which is not a sure bet. END SUMMARY.

Exports Slowly on the Rise

12. (U) Overall cargo traffic through the Port of Abidjan was up 1 percent to 18.8 million tons in 2006, up from 17.1 million tons in 2001, the last full year before the outbreak of civil hostilities in August, 2002. 45 percent of the increase was due to a solid rise in exports of oil products (Cote d'Ivoire imports and export oil and petroleum products, but production at a large Ivorian oil field recently came on stream, boosting oil exports). Coffee and cocoa still represent the largest exported commodities, with a total of almost 30 percent of all of the exports of the Port of Abidjan.

13. (U) As of 2006, the Port of San Pedro handled 1.2 million tons annually, and it is responsible for over 70 percent of the country's cocoa exports. San Pedro has seen its overall volume fall from 1.4 million tons -in 2000, largely due to a fall in export volume. Officials of the Port of San Pedro told Emboff that rampant illegal transshipment through Ghana of cocoa in order to avoid high Ivorian taxes and illegal road levies and to benefit from Ghana's higher prices have caused up to 200,000 tons of cocoa traffic in 2005 and 2006 to be lost to the Port of San Pedro.

Abidjan's Port: Integrating the Region's Economies

14. (U) Since the Ouagadougou Political Agreement was signed on March 4, 2007, Cote d'Ivoire and its ports have looked to neighboring landlocked countries to revive and boost trans-shipments. Over 97 percent of goods transshipped through the Port of Abidjan come from Burkina Faso, Mali, and Niger, and consist mainly of rice, fertilizer, chemicals, cotton, and oil products. In July 2007, the port of Abidjan chose a Burkinabe national to be its representative in Burkina Faso. The Port hopes to work with its Burkinabe partners to improve infrastructure to allow more goods to pass through Cote d'Ivoire from Burkina, allowing for the creation

of a more integrated sub-region. During recent trips to northern Cote d'Ivoire, Ivorian president Laurent Gbagbo has called on businesses in Burkina, Mali and Niger to use Cote d'Ivoire rather than the ports in Ghana, Benin and Togo. As reported by Embassy Ouagadougou (reftel), Ivorian Prime Minister Soro recently brokered a deal for a caravan of trucks carrying certified organic cotton to pass through northern Cote d'Ivoire unmolested by pervasive illegal checkpoints run by various military formations en route to the Port of Abidjan. Transshipment statistics show a strong return to pre-crisis levels for the Port of Abidjan: after plummeting more than 80 percent from 2002 to 2003, transshipment volumes in 2006 were only 20 percent lower than those from 2002.

Port of Abidjan's High Shipping Prices

15. (U) Abidjan's port has some of the most expensive costs of shipping in all of Africa. Maersk's regional chief executive said that the Port of Abidjan's shipping fees are two to two and a half times higher than competing ports in Lome, Cotonou, Dakar, and Tema (Ghana). The Port of Abidjan justifies these higher rates through its efficiency - its infrastructure is extensive and robust, is capable of handling a number of deep-draft, large vessels, and Cote d'Ivoire's road network (despite degradation over the past five years and under-investment in maintenance) has some of the best infrastructure in the region, allowing for much more efficient combination land-water shipment involving neighboring landlocked countries.

16. (U) Many shipping companies consider the Port of Abidjan as the most efficient in Africa, even more so than those in South Africa, Morocco, Algeria, and Egypt. Maersk even claims Abidjan's port is more efficient than a number of southern European ports. However, as noted above, these efficiencies don't translate into lower costs.

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Port of Abidjan officials believe (and market performance largely bears out) that their comparative advantage surpasses other countries in the region, thus justifying the higher costs.

Key Players

17. (SBU) The main actors involved in cargo traffic through Cote d'Ivoire's ports remain Danish-owned MAERSK Corporation and French SDV-SAGA. MAERSK retains 30 percent of the whole Abidjan shipping market. Safemarine, a MAERSK subsidiary, specializes in the Abidjan - New York traffic, and dominates Cote d'Ivoire-U.S. shipments of cocoa and timber. SDV-SAGA and Maersk together own the Port of Abidjan's most modernized pier terminal, and together could, according to Maersk's regional representative, operate a scanner in order to comply with new U.S. scanning requirements, due to come on line in 2012.

18. (SBU) SDV-SAGA handles more than 30 percent of the Port of Abidjan's traffic. They are willing to pay the higher prices in anticipation of benefits they expect to receive commensurate with the port's planned modernization and increased capacity.

19. (SBU) While traffic in and out of African ports has mainly been intercontinental, Maersk is actively working on a commercial plan to engage the intra-African shipping market with smaller container ships. Maersk reports that a potential challenge to this new approach is the growing demand for empty containers in Asia. The international market is centered on sending empty containers to be loaded with Asian exports headed to Europe and North America. The resulting global shortage of containers has contributed to the increase in shipping prices in Africa.

110. (SBU) Maersk made a recent proposal to the Port of Abidjan that would increase the company's shipping volume in and out of the port in exchange for lower fees. In theory, port revenue would remain steady - if not increase - because of the additional traffic. However, according to Port authorities, the Port of Abidjan remains hesitant to accept the offer and negotiations are ongoing.

Port Expansion

¶11. (SBU) The Port of Abidjan has global ambitions to be one of the world's leading ports. It plans to expand the port area to encompass a largely vacant island adjacent to Abidjan while also increasing its capacity through the associated construction of new quays, warehouses and roads. Future projects include the deepening of the port's main canal to accommodate even deeper draft, bigger ships. The estimated overall cost of the port's expansion project is \$247 million. Port of Abidjan Director General Marcel Gossio (who was accused of lassitude during the 2006 toxic waste scandal) has recently been active courting foreign investors during trips to Europe to finance the expansion plans, but to date, Embassy has not seen concrete investment announcements.

¶12. (SBU) The Port of Abidjan is courting a slew of new investors to support new economic activity to be associated with the port expansion. Recently a Chinese delegation, led by the company COFCO - the largest oils and food importer and exporter in China - was recently in Abidjan to discuss a partnership plan with the port. In September 2007, two U.S. companies announced preliminary plans to invest USD 1.4 billion to build a new refinery on an island near the Port of Abidjan in the context of the planned expansion. To date, however, Embassy has not seen follow-up activity on the refinery deal.

¶13. (SBU) The Port of San Pedro has equally ambitious plans for expansion. Emboff attended the December 2007 ceremony marking the 35th anniversary of the founding of the Port. At the speech commemorating the ceremony, the Port Director, Desire Diallo, outlined a plan to transform the facility into a major nickel and iron ore export platform for mines the government hopes private investors will establish in western Cote d'Ivoire and eastern Liberia and Guinea. Diallo also called for Cote d'Ivoire's neighbors to look to San Pedro for transshipment, and asked President Gbagbo (in attendance) for help in sourcing the capital needed to upgrade the road network serving San Pedro to make the plan viable. Several well-placed sources in the shipping industry indicated that actual expansion of the Port of San Pedro would be a simple, low-cost affair (as low as USD 60 million), using breakwaters to segment adjacent deep-water into usable shelter, and that financing would be easy to find should additional regional demand growth be evident. However, President Gbagbo, in his own address at the anniversary celebration, declined to offer funding

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for the 30-40 million in upgrades the region's road network urgently needs to deliver such increased volume to the port, and pointedly suggested that the EU, whose top representative in country was present, provide financing for the road network in the form of development assistance.

¶14. (SBU) COMMENT. As the Ouagadougou Political Agreement continues its uneven progress towards ending Cote d'Ivoire's political crisis, the Ports of Abidjan and San Pedro will likely see continued, gradual expansion of volume and additional interest from outside investors. Major expansion and modernization of the ports' facilities, however, will probably depend on the substantial capitalization that will come with the definitive cessation of the political crisis (probably through successful elections) and significant investments in the country's road network that would make the investments viable. Continued prosperity in Cote d'Ivoire's port sector could be a major economic boon to regional economic integration as Sahelian industries develop and the trans-shipment of goods continues to rise. END COMMENT.

AKUETTEH